



Staff Report

INFORMATIONAL REPORT ON USE OF SOLID WASTE MANAGEMENT RESERVE FUNDS.

Honorable Mayor and Council Members:

Summary

This report is to inform the Council on the current practice of using the City's solid waste management fund balance reserves and the outcome of discussions with Council Subcommittee on Infrastructure (Mayor Feierbach) on same.

Background

Allied Waste-San Mateo provides refuse, recyclable-material, and plant/organic-material collection services; operates the Shoreline transfer station, recyclable-material and plant-material processing; and operates landfill disposal services. The City contracts directly with Allied Waste for garbage and recycling collection services and indirectly through South Bayside Waste Management Authority (SBWMA) for transfer station/recyclery operations and disposal.

As part of the SBWMA solid waste disposal settlement agreement negotiated in FY 2005, the City received a multi-year settlement from Allied Waste-San Mateo in the amount of \$634,219 paid over three years. Presently, this funding is the only dedicated revenue source for the management of the City's solid waste program.

Council also directed staff to begin reviewing options for future solid waste collection services outside of the SBWMA parallel effort. The reserve funds described above are the sole funding source for this endeavor.

Lastly, Council requested that staff meet with the Council Subcommittee on Infrastructure to discuss the solid waste management reserve fund.

Discussion

City staff met with Mayor Feierbach, a member of the Council Subcommittee on Infrastructure, to discuss the best approach for using the reserves. Staff pointed out several key objectives for this funding, including: 1) paying for the consultant's study of options for either bringing collection services in-house or using a solid waste provider outside of the SBWMA's process, 2) providing a potential source of funds in the event additional unanticipated costs for solid waste collection services are incurred by Allied Waste-San Mateo beyond those originally estimated as

part of the FY 2006 rate increase, and 3) providing cash flow for solid waste startup activities prior to establishing a dedicated revenue stream.

Presently, the City has under engagement HDR to perform a study of either bringing collection services in-house or using a solid waste provider outside of the SBWMA's process. The Council authorized the use of the reserves for this purpose. It is presently unknown what additional studies may be required to complete this work once the initial report has been presented by HDR. However, it is reasonable to assume that additional engagements may be forthcoming.

Council approved a one-time rate increase in FY 2006 that was projected to fully fund the City's share of the SBWMA operating deficit in place at that time by December 2010. There maybe exposure to the City if Allied Waste-San Mateo incurs recoverable unanticipated costs for solid waste collection services beyond those estimated as part of the FY 2006 rate increase.

Inadequate cash flow could severely impede implementing solid waste startup activities prior to establishing a dedicated revenue stream. This is particularly relevant given the Council's direction to explore bringing collection services in house.

Mayor Feierbach concurred with staff's approach on retaining the reserves for the above mentioned uses. Furthermore, Mayor Feierbach agreed that it would not be advisable to rebate these funds to the rate payers at this time.

General Plan/Vision Statement

No impact.

Fiscal Impact

No fiscal impact will result from this report. The solid waste management fund reserves could continue to be available to offset costs that otherwise would require a rate increase. The current reserve policy is consistent with the existing financial policy that requires utility rate payers to pay for the cost of providing services and that taxpayers should not be used to subsidize rate payers.

Public Contact

Posting of City Council agenda.

Recommendation

This report is intended for information purposes only. No action is required by the Council.

Alternatives

1. Take no Action.
2. Refer back to staff for further information.

Attachments

None.

Respectfully submitted,

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